The Austrian School and Anarcho-capitalism Before the Tribunal of Science: A Critique from Biology, Neuroscience, Social Psychology, Anthropology, and Ecology

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Abstract
The Austrian School of Economics and its anarcho-capitalist offshoot present themselves as a deductive system of universal validity built upon the axiom of rational human action. This article subjects that theoretical edifice to scrutiny by the evidence accumulated in evolutionary biology, ethology, neuroscience, social psychology, cultural anthropology, and ecology. It demonstrates that the central axiom is a chimera incompatible with what we now know about cognition, social behaviour, and the dependence of human systems on the biosphere. It also exposes how the Austrian tradition misrepresents Adam Smith's thought, silencing his acute critique of self-deceit and "men of system". The conclusion is twofold: the Austrian School lacks scientific foundation and, in practice, operates as a pseudoscientific ideological device analogous to nineteenth-century social Darwinism.

Keywords: Austrian School, anarcho-capitalism, praxeology, neuroeconomics, evolution, self-deceit, Adam Smith, ideology.

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1. Introduction

The Austrian School of Economics (henceforth AS) claims a peculiar scientific status. Unlike orthodox economics, which relies on mathematical models and empirical testing, the AS asserts that it deduces universal economic laws from a single self-evident axiom: human beings act, i.e., they choose means to achieve ends according to a subjective scale of values (Mises, 1949). From this praxeological core are derived principles such as consumer sovereignty, the entrepreneurial function, and the impossibility of socialism. Its most radical version, anarcho-capitalism (Rothbard, 1973), holds that any state intervention is illegitimate and that the free market — including private provision of justice and security — would generate an optimal spontaneous order.

However, in recent decades a range of scientific disciplines — from neurobiology to ecology — has revolutionised our understanding of human

nature, decision-making, and the interaction between societies and the environment. This work reviews that evidence and confronts it with the postulates of the AS. We maintain that:

1. The axiom of rational action is empirically false or, at best, an extreme simplification that strips the theory of any descriptive or predictive value.
2. By systematically ignoring the findings of the natural and social sciences, the AS becomes a closed system, immune to falsification, and thus pseudoscientific.
3. Its narrative of markets finds an exact parallel in nineteenth-century social Darwinism, whose function was to legitimise inequality by presenting it as an inevitable consequence of natural laws.
4. The invocation of Adam Smith as the founding father of this current constitutes a distortion that suppresses the sceptical, psychological, and moral dimensions of the Scottish philosopher.

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2. The Axiomatic Castle and its Claimed Scientificity

For the AS, economics is an aprioristic science: it does not formulate hypotheses to be tested, but rather unfolds the logical implications of a primary fact (action). The validity of an Austrian economic law would be comparable to that of a geometric theorem. This stance places the AS outside the contemporary scientific canon, which since Popper has demanded empirical falsifiability. Yet even if we were to discuss it on grounds of logical soundness, the crucial question remains: does the initial axiom correctly describe the actual behaviour of human beings? If the axiom is false, the whole system collapses, however impeccable its internal deduction.

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3. Refutation from the Life and Behavioural Sciences

3.1 Neuroscience and Cognitive Psychology: Rational Action as Illusion

The Austrian axiom assumes an agent who consciously chooses means to achieve subjective ends. Neuroscience has shown that this picture is a retrospective reconstruction, not the actual causal mechanism.

- **Primacy of the unconscious:** Libet's classic experiments (1983) and their modern replications (Soon et al., 2008) indicate that brain activity related to a decision appears several seconds before the person has the

conscious experience of having decided. The feeling of free will appears to be a post-hoc narrative.

- **Emotion and decision:** Antonio Damasio's work (1994) with patients suffering damage to brain areas linked to emotion demonstrates that without affective somatic markers, purely "rational" deliberation becomes pathologically inefficient. Reason does not operate in a logical vacuum; it needs emotional anchoring.
- **Cognitive duality:** Behavioural economics (Kahneman, 2011) has identified two systems of thought: one fast, intuitive, and laden with heuristics (System 1), and another slow, analytical, and effortful (System 2). The vast majority of everyday decisions — including purchases, investments, or hiring — are governed by System 1, which systematically violates the principles of rationality and logical consistency that the AS takes for granted.

Human action is therefore not a transparent primary fact; it is a complex, stratified phenomenon where consciousness is the tip of an iceberg governed by subcortical processes, emotions, and automated biases. An axiom that ignores this architecture is not a self-evident truth; it is a gross error.

3.2 Social Psychology: The Malleability of Ends and the Social Construction of Demand

The AS maintains that the market discovers and satisfies given preferences. Social psychology and behavioural economics show that preferences are manipulated and socially constructed.

- **Framing and biases:** The framing effect (Tversky and Kahneman, 1981) demonstrates that the way an option is presented alters the decision, violating the logical principle of invariance. If ends depend on framing, they cannot be stably "subjectively given".
- **Conformity and authority:** Asch's (1951) and Milgram's (1963) experiments prove that group pressure and authority can override an individual's perceptual and moral judgments. In a market context, this means that value scales are malleable, not sovereign.
- **Engineering of desire:** The advertising industry, as theorised by Edward Bernays (1928), operates on an understanding of the human being as an irrational animal whose drives can be channelled. Corporations do not merely inform the sovereign consumer; they actively manufacture needs.

The Austrian *homo agens*, immune to social influence and master of his own ends, is an ideological construct belied by decades of experimental psychology.

3.3 Evolutionary Biology and Ethology: The Market is Not a Natural Fact

The AS has often flirted with a vision of the market as an extension of spontaneous natural processes (Hayek, 1988). However, contemporary evolutionary biology and ethology paint a much richer and more contradictory picture.

- **Non-contractual cooperation:** The evolution of cooperation (Nowak, 2006) shows that mutual aid, reciprocal altruism, and punishment of cheaters predate humanity and do not require market exchanges. In other social species (primates, cetaceans, birds) there exist mechanisms of fairness and empathy that precede calculative reason (de Waal, 2006). The monetised market is a late cultural invention, not an emanation of "human nature".
- **Fairness bias:** In the famous capuchin monkey exchange experiment (Brosnan and de Waal, 2003), the animals rejected a reward if they saw another receiving a better one for the same task. This suggests an innate aversion to inequity, not a natural acceptance of any market outcome. The idea that extreme inequality is the just and spontaneous consequence of free action collides with the existence of evolutionary biases toward fairness.
- **Multi-level selection:** The debate on group selection has shown that competition is not the only evolutionary force. Groups with greater internal cohesion and norms of mutual aid prospered (Wilson and Wilson, 2007). Reducing human action to the maximisation of individual interest is a simplification that biology itself rejects.

3.4 Anthropology: The "Maximising Individual" as a Cultural Product

The AS assumes a universal individual who chooses according to subjective value scales. Economic and cultural anthropology has demonstrated the falsity of this universal.

- **Diversity of rationalities:** Marcel Mauss's (1925) work on the gift in archaic societies shows that exchanges are not about maximising material utility, but about creating total social obligations (give, receive, return). *Homo economicus* is an alien in most of human history.
- **The WEIRD bias:** Cross-cultural studies (Henrich, Heine, and Norenzayan, 2010) reveal that Western, educated, industrialised, rich, and democratic (WEIRD) populations are atypical in their cognitive patterns, including a marked preference for individualism, analytical decision-making, and third-party punishment aversion. The AS, far from describing universal man, describes the twentieth-century Western middle-class male subject.
- **Social construction of value:** Value scales do not arise from an inner sovereign act, but are shaped within cultural frameworks that define what

is desirable, sacred, and exchangeable. Consumer sovereignty is a myth that conceals the cultural overdetermination of desire.

3.5 Ecology: Blindness to Biophysical Limits

The AS conceives the market as a process of coordinating human ends without any reference to the material base on which it depends. This blindness is perhaps its greatest incompatibility with contemporary science.

- **The economy as a subsystem:** Ecological economics (Daly and Farley, 2004) has stressed that the economic system is not a closed circuit of exchanges, but an open subsystem that takes matter and energy from the biosphere and returns waste. Every production and consumption process implies entropic degradation (Georgescu-Roegen, 1971). To ignore thermodynamic and ecological limits is to deny the laws of physics.
- **Systemic externalities:** The AS downplays or denies the existence of externalities, arguing that markets for property rights and private negotiation would internalise them all. The reality of climate change, ocean acidification, and biodiversity loss demonstrates that there are planetary-scale effects that cannot be resolved by private contracts. No free market will internalise the collapse of global ecosystem services, because there is no private owner of the climate.
- **The impossibility of infinite growth:** The Austrian defence of unlimited capital accumulation clashes head-on with the finiteness of the planet. The global ecological footprint already exceeds biocapacity. A system that insists on perpetual expansion, without regard to energy and material flows, is not economic science; it is a form of ecological denialism.

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4. The Misrepresentation of Adam Smith: From Self-Deceit to the "Man of System"

The AS has constructed a narrative in which Adam Smith appears as the prophet of the invisible hand that, if left alone, produces the common good. This reading radically mutilates Smith's thought, whose scepticism about human irrationality and whose caution toward free-market dogmas are central to his work.

- **Self-deceit:** In *The Theory of Moral Sentiments* (1759), Smith devotes long passages to the "fatal weakness of mankind", self-deceit, which corrupts our ability to impartially judge our own actions. The Smithian agent is not the Austrian rational calculator, but a being who lies to

himself to justify his passions. Smith thereby anticipated modern cognitive biases.

- **"Presumptuous vanity":** Smith warned against the overestimation of one's own abilities that drives entrepreneurs to take excessive risks. What the AS calls "entrepreneurial alertness" was for Smith, in many cases, an "absurd hope of success" born of pride and illusion.
- **The critique of the "man of system":** Smith attacked those dogmatic spirits, like the Physiocrats, who believed they had discovered a perfect natural order to which society must submit without interference. His famous image of the man of system who pretends to move the pieces of society as if on a chessboard, forgetting that each person has their own principle of motion, is an early portrait of the Austrian intellectual who deduces a social order from an axiom without attending to the real complexity of human affairs.
- **The necessary intervention of the legislator:** Unlike anarcho-capitalism, Smith never defended the abolition of the state. He assigned it, at a minimum, the functions of defence, justice, public works, and even the mitigation of the alienating effects of the division of labour through public education.

The AS has thus performed a double ideological operation: it has erased Smith's pessimistic psychology and turned his prudential scepticism into a rationalist dogma. The result is a philosophy that Smith himself would have branded the work of a "man of system".

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5. Conclusion: A Pseudoscientific Ideology at the Service of Power

In the light of evidence accumulated by neuroscience, social psychology, evolutionary biology, ethology, anthropology, and ecology, the Austrian School and its anarcho-capitalist corollary do not pass a basic scientific examination. Their fundamental axiom is a fiction incompatible with current knowledge of human cognition and behaviour. Their aprioristic method, immune to testing, places them in the realm of pseudoscience.

But the AS is not a mere academic error. Its social function has been the same as that of nineteenth-century social Darwinism: to provide an apparently rigorous intellectual alibi to legitimise inequality, exploitation, and democratic paralysis in the face of corporate power, presenting them as natural and inevitable outcomes of universal laws. And it has done so by hijacking the memory of Adam Smith, mutilating his legacy beyond recognition.

As long as the AS insists on shielding its axiomatic core from evidence, it does not deserve to be considered an economic science, but rather a rhetorical device. The true study of economics requires, as Smith asked, empirical and humble knowledge of passions, institutions, and the limits of the planet, not the construction of logical castles in the air.

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